

STATEMENT OF PURPOSE

RS20748

This legislation provides a mechanism for public charter schools to purchase a state guarantee for their school facility loans. Many charter schools continue to struggle financially due to the fact that the state provides no earmarked funds for charter school facility construction. In addition, charter schools do not have the ability to raise facility funds from the property tax, nor do they enjoy a state guarantee of debt repayment, as do school districts.

For these reasons, charter schools must borrow money for facilities at much higher rates of interest than those enjoyed by school districts, which has the effect of further exacerbating charter school facility funding challenges.

By allowing charter schools to purchase a state guarantee of loan repayment, charter schools will be able to finance their facilities at a lower rate of interest than they are able to secure today, resulting in healthier charter school finances, and a decreased likelihood that a charter school would default on such a loan.

FISCAL NOTE

No fiscal impact to the General Fund. Positive fiscal impact for many charter schools that purchase or build their own school facility. The 6% of the loan amount that the state would charge for the purchase of a state guarantee is calculated to generate the amount of money that it is estimated that the state might pay out on any new loans that would default with negative equity.

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